

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

AFFINITY LABS OF TEXAS, LLC., a
Texas Limited Liability Company,

No. C 10-5543 CW

Plaintiff and
Counterclaim-Defendant,

ORDER DENYING
DEFENDANTS' MOTION
TO STAY ACTION
(Docket No. 91)

v.

NIKE, INC., an Oregon Corporation,
and APPLE INC., a California
Corporation,

Defendants and
Counterclaim-Plaintiffs.

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Defendants Apple, Inc. and Nike, Inc. move to stay the
present action pending inter partes reexamination of United States
Patents No. 7,251,454 ('454 Patent) and No. 7,519,327 ('327
Patent).¹ Docket No. 91. Plaintiff Affinity Labs of Texas, LLC.
opposes the motion. The motion was taken on the papers. Having
considered all of the parties' submissions, the Court DENIES
Defendants' motion.

¹ Defendants' motion for a stay initially encompassed
proceedings based on Patent No. 7,062,225 ('225 Patent). However,
Affinity has since amended its complaint to remove claims based on
the '225 Patent. Docket No. 124.

1 BACKGROUND
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3 Affinity filed this lawsuit on February 16, 2010 in the
4 Eastern District of Texas. On November 4, 2010, Defendants'
5 motion to transfer this action to the Northern District of
6 California was granted. Docket No. 68. On November 15, 2010,
7 Apple filed three requests for reexamination of the Patents-in-
8 Suit. On March 22, 2011, Defendants jointly moved stay the
9 proceedings in this case. Docket No. 91.

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LEGAL STANDARD

As the Federal Circuit has noted, "Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citation omitted). In determining whether to stay a case pending reexamination, a court may consider the following factors: (1) whether discovery is complete and whether a trial date has been set; (2) whether a stay would simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. In re Cygnus Telecomm. Tech., LLC Patent Litig., 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005).

DISCUSSION

The present case does not merit a stay of the proceedings. The first factor for consideration--the stage of the litigation--weighs in favor of a stay. The parties agree that, thus far, they

1 have exchanged very little discovery. No trial date has been set,
2 and the parties have not yet appeared for a case management
3 conference.

4 The second factor--whether a stay would simplify the issues
5 presented in this action--is neutral. On one hand, staying the
6 case may narrow the issues in question and simplify the trial. As
7 noted in this Court's order denying Apple's motion for a stay in
8 the related action, Affinity Labs of Texas, LLC v. Apple, Inc.,
9 C 09-04436, April 29, 2010 Order Denying Stay, patents rarely
10 emerge from inter partes reexaminations unchanged. Affinity
11 argues that simplification of the issues is unlikely to result
12 from the reexamination proceeding because Nike did not join the
13 reexamination requests. However, Defendants' reply brief makes
14 clear that Nike is willing to be bound by the results of the
15 reexamination proceedings to the same extent as a party to those
16 proceedings if the Court grants a stay of the proceedings. An
17 inter partes reexamination permits third-parties to participate in
18 the reexamination process, and a participating defendant will be
19 estopped from asserting the invalidity of any claim of the
20 patents-in-suit on any ground which it raised or could have raised
21 during the inter partes proceeding. Nevertheless, even if Nike
22 were bound by the results of the reexamination, it is unlikely
23 that the reexamination proceeding will resolve all of the issues
24 regarding the two patents in question in this lawsuit. Thus, the
25 Court would be left to adjudicate the remaining issues. Given the
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1 uncertainty about whether the reexamination will actually simplify
2 the issues in this case, this factor is neutral.

3 Lastly, the Court considers whether a stay in this action
4 will unduly prejudice or create a clear tactical disadvantage to
5 the non-moving party, Affinity. This Court and others have
6 recognized that the average inter partes reexamination takes over
7 three years to complete. Affinity Labs of Texas, LLC v. Apple,
8 Inc., April 29, 2010 Order Denying Stay at 4; ESCO Corp. v
9 Berkeley Forge & Tool, Inc., 2009 U.S. Dist. LEXIS 94017, *9 n.3
10 (N.D. Cal.). Although the delay that inherently results from the
11 reexamination process "does not constitute, by itself, undue
12 prejudice," Network Appliance Inc. v. Sun Microsystems, Inc., 2008
13 WL 2168917, *5 (N.D. Cal.), Apple waited nine months after
14 Affinity filed the present suit before requesting the
15 reexaminations. Defendants delayed their motion for a stay until
16 March 22, 2011. These delays are similar to those in Affinity
17 Labs of Texas, LLC v. Apple, Inc.. There Apple waited eight
18 months after Affinity filed its suit before seeking reexamination
19 of the patents-in-suit, and then delayed seven weeks after the
20 requests were granted before moving to stay the proceeding. A
21 stay may prejudice Affinity's ability to enforce and license its
22 patents, and could lead to a loss of evidence. Thus, a stay in
23 this action is unwarranted.

1 CONCLUSION
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3 Defendants' motion for a stay of the proceedings is denied.
4 Docket No. 91. The parties shall appear for a case management
5 conference on June 9, 2011 at 2 pm.

6 IT IS SO ORDERED.
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8 Dated: May 13, 2011
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11 CLAUDIA WILKEN
12 United States District Judge
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